

**MINUTES OF
CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall - 8th Floor Conference Room
400 Stewart Avenue
Las Vegas, Nevada
City of Las Vegas Internet Address: <http://www.lasvegasnevadagov>**

**January 20, 2004
10:00 a.m.**

CALL TO ORDER: Chairman Kern called the meeting to order at 10:07 a.m. and announced that the Open Meeting Law had been met.

ATTENDANCE:

Present: Chairman Michael Kern
Councilman Larry Brown
Councilman Lawrence Weekly (excused until 10:27 a.m.)
Member Paul Workman
Member Jose Troncoso
Brad Jerbic, City Attorney
Radford Snelding, City Auditor
Philip Cheng, Senior Internal Auditor
Bryan Smith, Internal Auditor
Bill Cimo, Internal Auditor
Gary L. Phillips, Internal Auditor
Bonnie Mocek, Internal Auditor
Mark Vincent, Director of Finance & Business Services
Barbara Jo (Roni) Ronemus, City Clerk
Vicky Darling, Assistant Deputy City Clerk

BUSINESS

1. Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of October 21, 2003

BROWN - Motion to approve – TRONCOSO seconded the motion - UNANIMOUS with WEEKLY excused

(10:08)
1-11

2. General Report by the City Auditor

Mr. Snelding outlined the audits in progress, which include one relating to Metropolitan Police where there is a possibility that the City may do the audit regarding the funding formula in conjunction with the County. The fieldwork is being performed with regard to the Office of Business Development audit. Staff continues random and surprise audits of change and petty cash funds as part of the Cash Counts, Integrity Tests and Software Audits. Using audit software to identify anomalies which may indicate improper activities, staff investigates the circumstances to determine whether there is a satisfactory explanation for the anomaly. Finally, staff continues to work in conjunc-

tion with the Information Technologies Department (IT) to select software to identify unauthorized software, pictures, music files, etc., on City computers. The City Auditor's office provides technical support to the Marshal's office regarding financial investigations.

Mr. Snelding discussed with Member Workman the frequency of improper activities, staff's efforts to identify the software and the random, surprise audits anticipated to begin in a few months. Although Audit staff has been working with IT to identify the software to be utilized to perform the audits, the audits themselves will not be coordinated with IT.

There was no further discussion.

(10:08 – 10:11)
1-25

3. Discussion and possible action on Special Report: Neighborhood Services Review of Selected Issues CAO 2300-0304-01

Mr. Snelding advised that since this report was presented and accepted at the November 25, 2003 Special City Council meeting, he was simply presenting it for approval.

Chairman Kern complimented the procedural approach taken as well as the Auditors endeavors. Issues identified and being addressed by the City have created improvements Citywide.

There was no further discussion.

WORKMAN - Motion to accept the report – TRONCOSO seconded the motion – UNANIMOUS with WEEKLY excused

(10:11 – 10:12)
1-98

4. Discussion and possible action on Special Report: Comparison of Durango Hills and Veterans Memorial Leisure Service Centers CAO 1601-0304-02

Mr. Snelding indicated that since this report was also presented and accepted at the December 17, 2003 City Council meeting, he was simply presenting it for approval.

Chairman Kern questioned the \$43,000 to \$47,000 difference between two equipment leases for varying amounts. He suggested researching whether the leasing agent incorporated sales tax or property tax into either lease, despite the City's tax exempt status. Chairman Kern pointed out that such inclusion could be a recoverable cost for the City. Philip Cheng and Bill Cimo responded that they could not recall any tax related issues with either lease. The leases did involve two different time periods and some overlapping.

City Attorney Jerbic clarified that Durango Hills is required to pay property tax, unlike tax exempt City-owned property. It was uncertain whether that would offset the equipment rental. Were the City the leasing party, the exemption would remain in effect regardless of the user. Mark Vincent, Director of Finance and Business Services, noted that Durango Hills may be responsible for any possessory use interest, which could be an issue since the City is contractually entitled to share in any profit above a certain amount. Mr. Snelding assured the Committee that staff will seek specific answers to these questions and report to the Committee at its next meeting.

Chairman Kern expressed a concern with the disclaimer on Page 2 of the Executive Summary regarding the accuracy of the statistical sample data as being based on an inadequate sampling. The Auditor's office holds the report as having a 90% reliability, which is adversely impacted by that disclaimer. Perhaps better wording could be utilized or the right size of a sampling group be defined and established. Mr. Cheng noted his understanding that the disclaimer applied only to the dual user aspect. Chairman Kern replied that the numbers for the operating costs were clearly accurate, but the disclaimer related to community awareness sampling. Mr. Snelding stated that he did not notice the disclaimer, but he and his staff discussed the sampling size in detail and were quite comfortable with the size of the sampling and the related numbers. A number of groups were sampled and, although the group size varied, considerable effort was made to utilize sampling based on population.

Councilman Brown clarified that the boundaries were established with circles and questioned whether the concern was with not reaching enough people within the circles or the circles not being large enough. Mr. Snelding answered that the area within the circles varied based on the target population number. There was a density difference between the two. Staff will investigate the disclaimer and report back to the Committee at its next meeting. Chairman Kern explained that his purpose in raising the issue was to have staff define sampling groups as part of the initial contract. The report nicely outlines costs, revenues, differences between centers, demographics and uses at the centers. It is a well done report, makes clear comparisons between the two centers and will be a good tool for staff in the future.

Chairman Kern and Councilman Brown discussed that the report does not include conclusions, but it clearly was not intended to include them. Councilman Brown stressed that the audit was a comparison of identical facilities, one operated by the non-profit sector versus operation by a public agency. This highlighted what the City does extremely well and areas where the City can learn from the non-profit sector. Had the study been done four or five years ago, the differences would have been far more dramatic. Dr. Barbara Jackson has incorporated greater focus on the type of leisure programming and cost recoveries. This tool will enable the City to continue to improve its service, even though it already provides these services better than anyone in the Valley and has even received national recognition. He expressed his pleasure that the City is able to provide these services and hoped that it may continue to do so in a cost-efficient manner. The report raised policy issues the City is addressing.

Chairman Kern concurred with the comments regarding Dr. Jackson, her successful outreach efforts and her being a tremendous asset to the City. The City Auditor would

be the wrong people to draw conclusions within Dr. Jackson's arena. Chairman Kern stressed that the success of Dr. Jackson's efforts are a compliment to her and her team.

Councilman Brown added one comment regarding the Durango Hills operating agreement which places responsibility for the equipment on the operator. This is a non-profit organization and he would be interested in the information from staff regarding the earlier question, which may require a review of the management agreement.

There was no further discussion.

WORKMAN – Motion to accept the report – TRONCOSO seconded the motion – UNANIMOUS

(10:12 – 10:28)
1-152

CITIZENS PARTICIPATION:
None.

(10:28)
1-675

ADJOURNMENT:
The meeting adjourned at 10:29 a.m. (1-691)

RESPECTFULLY SUBMITTED,

Vicky Darling, Assistant Deputy City Clerk